



General Assembly

**Substitute Bill No. 596**

February Session, 2008

\* SB00596APP 040108 \*

**AN ACT REVISING STATUTES CONCERNING THE TEACHERS'  
RETIREMENT SYSTEM TO CONFORM TO THE INTERNAL REVENUE  
CODE.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivisions (3) and (8) of section 10-183b of the 2008  
2 supplement to the general statutes are repealed and the following is  
3 substituted in lieu thereof (*Effective from passage*):

4 (3) "Annual salary" means the annual salary rate for service as a  
5 Connecticut teacher during a school year but not including unused  
6 sick leave, unused vacation, terminal pay, coaching or extra duty  
7 assignments, unless compensation for coaching or extra duty  
8 assignment was included in salary for which contributions were made  
9 prior to July 1, 1971. In no event shall annual salary include amounts  
10 determined by the board to be included for the purpose of inflating the  
11 member's average annual salary. The inclusion in annual salary of  
12 amounts paid to the member, in lieu of payment by the employer for  
13 the cost of benefits, insurance, or individual retirement arrangements  
14 which in prior years had been paid by the employer and not included  
15 in the member's annual salary, shall be prima facie evidence that such  
16 amounts are included for the purpose of inflating the member's  
17 average annual salary. Annual salary shall not (A) include payments  
18 the timing of which may be directed by the member, [. Annual salary  
19 shall not] (B) include payments to a superintendent pursuant to an

20 individual contract between such superintendent and a board of  
21 education, of amounts which are not included in base salary, or (C)  
22 exceed the maximum amount allowed under Section 401(a)(17) of the  
23 Internal Revenue Code for the applicable limitation year, provided in  
24 no event shall the limitation under Section 401(a)(17) of the Internal  
25 Revenue Code apply to the annual salary of a member whose  
26 membership began prior to January 1, 1996, if such limitation would  
27 reduce the amount of the member's annual salary below the amount  
28 permitted for calculation of the member's retirement benefit under  
29 chapter 167a, without regard to the limitation under Section 401(a)(17)  
30 of the Internal Revenue Code. Annual salary shall include amounts  
31 paid to the member during a sabbatical leave during which mandatory  
32 contributions were remitted, provided such member returned to full-  
33 time teaching for at least five full years following the completion of  
34 such leave.

35 (8) "Credited interest" means interest at the rate from time to time  
36 fixed by the board [which shall be substantially that earned by the  
37 funds of the system] consistent with industry standards and practices.  
38 Such interest shall be applied to a member's account based on the  
39 balance as of the previous June thirtieth. Credited interest shall be  
40 assessed on any mandatory contributions which were due but not  
41 remitted prior to the close of the school year for which salary was paid.

42 Sec. 2. Section 10-183b of the 2008 supplement to the general statutes  
43 is amended by adding subdivisions (28) and (29) as follows (*Effective*  
44 *from passage*):

45 (NEW) (28) "Internal Revenue Code" means the Internal Revenue  
46 Code of 1986, or any subsequent corresponding internal revenue code  
47 of the United States, as from time to time amended, and any  
48 regulations promulgated under or interpretations of said code that  
49 may affect chapter 167a.

50 (NEW) (29) "Limitation year" means the twelve-month period  
51 beginning each July first and ending each June thirtieth.

52 Sec. 3. Subsection (a) of section 10-183g of the 2008 supplement to  
53 the general statutes is repealed and the following is substituted in lieu  
54 thereof (*Effective from passage*):

55 The normal retirement benefit shall be two per cent times the  
56 number of years of full-time credited service and a proportional  
57 fraction of two per cent times the number of years of credited service at  
58 less than full-time multiplied by average annual salary. In no event,  
59 however, shall such benefit exceed seventy-five per cent of such salary  
60 [or the limits mandated by Section 415 of the Internal Revenue Code,]  
61 or be less than three thousand six hundred dollars.

62 Sec. 4. Section 10-183g of the 2008 supplement to the general statutes  
63 is amended by adding subsection (r) as follows (*Effective from passage*):

64 (NEW) (r) No retirement benefit payable under chapter 167a shall  
65 exceed the maximum dollar limit in effect under Section 415(b) of the  
66 Internal Revenue Code for the applicable limitation year, as increased  
67 in subsequent years pursuant to Section 415(d) of the Internal Revenue  
68 Code. A subsequent annual increase shall apply to a member if the  
69 increase becomes effective after the member retires or, if such increase  
70 becomes effective before a member retires, after the date on which  
71 such benefit begins to accrue.

72 Sec. 5. Section 10-183i of the general statutes is repealed and the  
73 following is substituted in lieu thereof (*Effective from passage*):

74 (a) A member may make voluntary contributions to the system and  
75 may, no more than once, withdraw such voluntary contributions from  
76 the system under rules of the board. Voluntary contributions shall be  
77 subject to the limitations imposed under Section 415(c) of the Internal  
78 Revenue Code for the applicable limitation year. Such contributions  
79 shall earn credited interest. Upon retirement such member shall elect  
80 to receive the accumulated contributions plus credited interest either  
81 in a lump sum or in the form of an actuarially equivalent annuity for  
82 life. Such lump sum or annuity shall be paid or commenced to be paid

83 when the first payment of such member's other retirement benefit is  
 84 made. If such member dies before the effective date of his or her  
 85 retirement, the accumulated contributions plus credited interest shall  
 86 be paid to such member's designated beneficiary.

87 (b) For purposes of applying the limitations of Section 415(c) of the  
 88 Internal Revenue Code under subsection (a) of this section,  
 89 compensation shall include (1) wages within the meaning of Section  
 90 3401(a) of the Internal Revenue Code, for purposes of income tax  
 91 withholding at the source, (2) amounts that would be included in  
 92 wages except for elections made under Section 125(a), 132(f)(4),  
 93 402(e)(3), 402(h)(1)(B), 402(k) or 457(b) of the Internal Revenue Code,  
 94 and (3) any other payments of compensation to a member by such  
 95 member's employer for which the employer is required to furnish the  
 96 member a written statement under Sections 6041(d), 6051(a)(3) and  
 97 6052 of the Internal Revenue Code, but such compensation shall not  
 98 exceed the maximum amount allowed under Section 401(a)(17) of the  
 99 Internal Revenue Code for the applicable limitation year.

100 Sec. 6. Section 10-183f of the general statutes is amended by adding  
 101 subsection (g) as follows (*Effective from passage*):

102 (NEW) (g) Notwithstanding any provision of chapter 167a,  
 103 pursuant to Section 401(a)(9) of the Internal Revenue Code, a member  
 104 shall begin receiving benefits under said chapter no later than April  
 105 first of the calendar year following the calendar year in which (1) the  
 106 member attains age seventy and one-half, or (2) if the member retires  
 107 after age seventy and one-half, the member retires.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	10-183b(3) and (8)
Sec. 2	<i>from passage</i>	10-183b
Sec. 3	<i>from passage</i>	10-183g(a)
Sec. 4	<i>from passage</i>	10-183g
Sec. 5	<i>from passage</i>	10-183i

Sec. 6	<i>from passage</i>	10-183f
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**APP**      *Joint Favorable Subst.*